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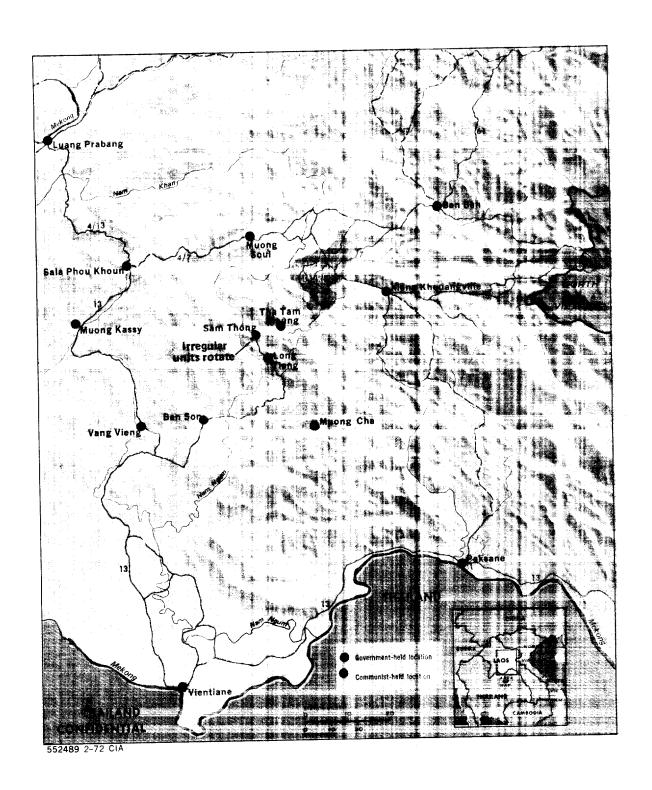
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LAOS: Military activity around Long Tieng has been light as both government forces and the North Vietnamese appear to be regrouping for a new round of fighting.

Four irregular battalions that moved into Long Tieng last week have now relieved irregular units on high-ground positions around Sam Thong. The units suffered moderate casualties as they moved into their new positions.

The North Vietnamese have used their 130-mm. field guns sparingly during the past week. Air strikes are believed to have destroyed some of the guns, but it is not clear how many of the 16 guns detected moving into north Laos in November have been put out of action. The reduced use of the guns could also be caused by a desire to avoid exposing them to air strikes, an attempt to conserve ammunition prior to a major new ground assault, or because the guns are being moved into positions closer to Long Tieng for greater effectiveness.

Lao Communist leader Souphanouvong sent a telegram to Prime Minister Souvanna on 24 January reiterating that the "Laos question" must be solved by the parties involved on the basis of the 1962 Geneva Accords and in accordance with the current situation in Laos. Although the full text of Souphanouvong's message is not yet available, it is unlikely that the Communists will have any serious interest in negotiations before they have assessed the results of their dry season offensive. Souvanna has not yet reacted to the message, but he usually resists pressure for talks while the Communists have the military initiative.

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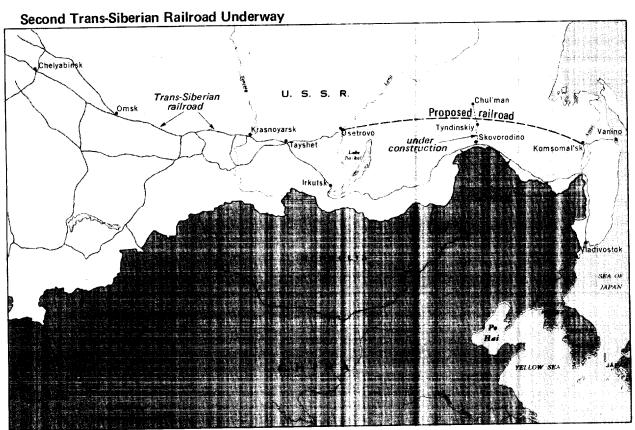
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USSR: The Soviets are again working on a second Trans-Siberian railroad.

The proposed railroad, called the Baikal to Amur Magistral (BAM), is a long-standing Soviet project that would extend existing rail lines from the Lena River area eastward to the Pacific Ocean via northern Baikal and the Komsomolsk area. Although current traffic on the Trans-Sib east of Lake Baikal does not now justify a new link, it may by time of completion. Moreover, it will provide a strategically valuable alternate route to the Soviet Far East as well as open this isolated area to economic development. Recent Soviet press articles state that survey work to select the shortest, most economical route for the new line is in progress. A branch line is currently under construction from Skovorodino on the Trans-Sib to the Chulman coal deposits which will probably be linked with the BAM's main line.

Construction will be costly and difficult because of the harsh terrain and climate. Transcontinental completion is not likely for at least a decade but more immediate benefits will result from the exploitation of resources en route. The completed westernmost portion from Tayshet to Osetrovo, for example, has already made possible the development of hydroelectric installations, as well as timber and other industries. Also, Osetrovo on the Lena is a major transshipment

center in support of Arctic installations.

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BANGLADESH: Fighting between Bengalis and Biharis over the weekend near Dacca shows that communal strife remains a serious threat.

Following clashes between Indian Army forces and some Mukti Bahini guerrilla irregulars who had joined in the fighting against the Biharis, the Indians—anxious to maintain a low profile—pulled their troops back from both of the Bihari enclaves where fighting was taking place. Regular Bangladesh troops and Dacca city police managed to restore order after about 70 Bengalis and an unknown number of Biharis had been injured or killed. Many Bengalis remain eager to avenge Bihari collaboration with the West Pakistanis, and further clashes are likely.

Bengalis and Biharis blame each other for starting the weekend fighting, which is the first serious disruption of law and order since Bangladesh became independent in December. The presence of nearly 50,000 Indian troops has been a major factor preventing widespread reprisals so far against the country's up to one million Biharis. New Delhi would probably like to get its troops out of Bangladesh soon, but might have to revert to an active policing role should Dacca's forces prove unable to prevent serious bloodshed.

The over-all threat to internal security posed by the presence of armed Mukti Bahini guerrillas, most of whom are irregulars not wholly under government control, may have been eased somewhat by the positive response so far to Prime Minister Mujibur Rahman's call for the guerrillas to hand in their weapons by 31 January. Several major guerrilla groups reportedly have relinquished at least some of their arms. Thousands of weapons probably remain in Mukti Bahini hands, however, and the guerrillas are capable of causing considerable trouble if Mujib's government falters in the face of the country's massive problems.

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m \underline{NEPAL}}$: King Birendra is expected to be more responsive to demands for political reform than his predecessor.

Birendra's father, 51-year-old King Mahendra, died suddenly of a heart attack on 31 January. Mahendra suffered his first serious heart attack in 1968 and efforts to groom 26-year-old Birendra as the next monarch have been underway since then. The new King has been exposed to the West, as a student in the UK and at Harvard.

Birendra is a reserved and intelligent young man, apparently with a serious interest in improving the over-all social and economic conditions in his underdeveloped kingdom. He has had little opportunity to demonstrate his leadership.

Birendra will face growing domestic pressure for democratization of the political system, under which Mahendra wielded almost autocratic control despite universal franchise and the "partyless" system of councils. His father's proscription of political parties in 1961, after the dismissal of Nepal's only elected parliamentary government, virtually eliminated competitive politics from Nepalese public life. Moreover, Mahendra's frequent reorganization of government personnel and imprisonment of vocal opposition figures prevented the formation of a consolidated challenge to his position.

In addition to growing undercurrents of discontent among the Nepalese intelligentsia, Birendra faces the challenge of a small group of exiled Nepali Congress Party members who operate from India--with New Delhi's tacit approval--under the leadership of former prime minister B. P. Koirala. With the outbreak of fighting in nearby Bangladesh, Koirala's statements urging insurrection in Nepal became more bellicose. He is known to have contacted some Bangladesh leaders, reportedly with

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the intent of securing arms from the Mukti Bahini guerrillas for staging an armed revolution in southeast Nepal. Koirala's ability to set off a country-wide revolution is still highly questionable, but he probably could elicit some support from discontented elements in the Kathmandu Valley and among the inhabitants in the Terai area of southern Nepal where allegiance to the monarchy is weakest. The new King may, however, attempt to forestall such developments by granting long-awaited political reforms. India would welcome moves in this direction.

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 NOTES	

BANGLADESH-USSR: Aeroflot, the Soviet airline, will begin air service to Dacca today, according to a Bangladesh broadcast. The Soviets will include the new stop on their weekly Moscow-Djakarta route, landing in Dacca on Tuesdays and Thursdays. The inclusion of Dacca on its air routes gives the USSR, which has not yet concluded an economic aid agreement with Bangladesh, a quick, inexpensive way to strengthen its presence there.

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WEST GERMANY: Social Democratic Chairman Herbert Wehner probably will make a major effort to improve Bonn's relations with Warsaw during his trip to Poland this week. He is likely to tackle the most troublesome question in West German -Polish relations, the emigration of ethnic Germans from Poland. Warsaw slowed the exodus during the last quarter of 1971 as its disappointment grew over Bonn's failure to increase trade. Although Bonn has claimed that Warsaw's trade demands were beyond German capabilities, it may now be prepared to make concessions. Bonn apparently hopes that an improvement in relations, accompanied by increased emigration from Poland, will counter Christian Democratic opposition to ratification of the 1970 West German - Polish treaty.

* *

WEST GERMANY: Foreign trade returns for December will increase the concern of German industries about their deteriorating competitive position in major world markets. Imports, at almost \$3.3 billion, were seven percent above the rate of December 1970. Exports, on the other hand, at almost \$3.9 billion, fell more than one percent short of the previous December's level, the first such decline in recent years. Nevertheless, West Germany attained a healthy \$4.9-billion trade surplus during 1971. Exports reached \$42.2 billion and imports \$37.3 billion, up eight percent and ten percent, respectively, compared with annual gains of 14 percent and 21 percent in the boom year of 1969.

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